

Message Text

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47

ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 TRSE-00 OMB-01 DODE-00 PM-03 H-02 L-02

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 6624

C O N F I D E N T I A L TEL AVIV 2860

E O 11652: GDS

TAGS: ELAB, EFIN, IS

SUBJECT: LABOR DISPUTES THREATEN GOVT WAGE AND TAX POLICIES

1. SUMMARY: RABIN GOVT IS FACING SERIES OF UNAUTHORIZED LABOR DISPUTES WHICH COULD THREATEN NATIONAL WAGE AND TAX POLICIES. IN VIEW OF GRAVITY OF ECONOMIC SITUATION, WE BELIEVE GOVT, WITH HISTADRUT BACKING, WILL STAND FIRM IN FACE OF UNION PRESSURES. END SUMMARY.

2. SOME 15,000 ENGINEERS IN GOVT SERVICES STAGED 24 HOUR STRIKE MAY 11 DEMANDING, INTER ALIA, IL 700 MONTHLY NET SALARY INCREASE FOR ALL ENGINEERS AND ADDITIONAL TOP GRADE IN ENGINEERS WAGE SCALE. HISTADRUT ENGINEERS UNION CLAIMED THAT ENGINEERS' SALARIES HAVE DECLINED VIS-A-VIS OTHER GROUPS, LARGELY BECAUSE ENGINEERS DO NOT RECEIVE OVERTIME, PRODUCTION BONUS AND CERTAIN OTHER BENEFITS GRANTED OTHER CATEGORIES OF INDUSTRIAL WORKERS. IN FACT, UNION POINTED OUT THAT GRADUATE ENGINEERS OFTEN RECEIVE LESS TAKE-HOME PAY THAN SEMI-SKILLED WORKERS.

3. AS MANY WAGE SCALES IN PUBLIC AND PRIVATE SECTORS ARE LINKED TO ENGINEERS' WAGE SCALE, INCREASE
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FOR ENGINEERS WOULD CERTAINLY TRIGGER DEMANDS

BY OTHER GROUPS, THUS UPSETTING GOVT EFFORTS
TO EXTEND ALL COLLECTIVE AGREEMENTS WITHOUT CHANGE
THROUGH 1975. AS STRESSED TO US BY SENIOR OFFICIALS, HISTADRUT,
ALSO CONCERNED ABOUT CHAIN REACTION GENERATED BY GRANTING DEMANDS
OF ENGINEERS, DESPITE THEIR VALIDITY, AND REFUSED TO
APPROVE STRIKE.

4. WHILE INTENSE NEGOTIATIONS BETWEEN HISTADRUT
AND ENGINEER UNION OFFICIALS FAILED TO DISSUADE
ENGINEERS FROM STAGING ONE DAY WORK STOPPAGE,
THEY DID GET ENGINEERS TO DEFER FOR TWO WEEKS THE
IMPLEMENTATION OF THREATENED SANCTIONS WHICH WOULD CAUSE
SLOWDOWN IN ALL PUBLIC SECTOR ACTIVITIES INVOLVING
ENGINEERS. ENGINEERS' DEMANDS TO BE DISCUSSED
WITH INTERMINISTERIAL CABINET COMMITTEE ON SALARIES
IN PUBLIC SECTOR.

5 EL AL EMPLOYEES TOGETHER WITH EMPLOYEES OF
FOREIGN CARRIERS, ARE THREATENING 24 HOUR STRIKE MAY 14
IN PROTEST GOVERNMENT DECISION TO INCREASE TRAVEL
TAX ON FREE TICKETS GRANTED AIRLINE EMPLOYEES.
TWA TELLS US ISRAEL ONLY COUNTRY WHERE FREE TICKETS
FOR AIRLINE EMPLOYEES ARE TAXED.

6. QUESTION OF INCREASED TAXES HAS BEEN UNDER
DISCUSSION BETWEEN EL AL UNION AND MANAGEMENT FOR
PAST MONTH, WITH AT LEAST ONE THREATENED STRIKE
DEFERRED. WHILE UNION IS FOCUSING ON TRAVEL
TAX LEVY, MORE SERIOUS ISSUE MAY DEVELOP IN
NEXT FEW MONTHS WHEN GOVT, AS RECOMMENDED
BY BEN SHACHAR COMMITTEE ON INCOME TAX REFORM,
ATTEMPTS TO INCLUDE VALUE OF FREE TICKETS FOR
AIRLINE EMPLOYEES AS TAXABLE INCOME. MAY 14
STRIKE MAY THUS BE PRECLUDE TO MORE PROTEST
ACTION AFTER BEN SHACHAR REFORMS ARE IMPLEMENTED,
POSSIBLY JULY 1. MEANWHILE HISTADRUT OFFICIALS TOLD
US THEY ARE TRYING TO PERSUADE EL AL GROUP TO CALL OFF
STRIKE.

7. GOVT ALSO CONFRONTED BY THREATENED
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STRIKE OF SEAMEN HANDLING TRANSFER OF OIL FROM
ASHKALON OIL PIPELINE TERMINAL TO TANKERS. MAIN
ISSUE INVOLVES LAYOFF OF REDUNDANT EMPLOYEES. IN
ADDITION, OVER PAST FEW WEEKS, ISRAEL HAS EXPERIENCED
WORK DISRUPTIONS FROM OTHER GROUPS, MAINLY IN
PORTS, FACING LAYOFFS DUE TO REDUCED LEVELS OF
FOREIGN TRADE.

8. COMMENT: WITH BOTH HISTADRUT AND GOVT
OPPOSED TO WORK STOPPAGES BY ENGINEERS AND AIRLINE
EMPLOYEES, WE BELIEVE GOVT WILL STAND FIRM
IN REFUSING TO MAKE ANY CONCESSIONS TO PRESSURE
GROUPS, PARTICULARLY THOSE WHICH THREATEN
POLICY OF WAGE RESTRAINT AND TAX REFORMS. DESPITE
GRAVITY OF ISRAELI'S ECONOMIC SITUATION , HOW-
EVER, PRESSURE GROUPS LIKELY TO PERSIST IN
EFFORTS TO RECTIFY SENSE OF WAGE INEQUITIES
VIV-A-VIS OTHER GROUPS AND TO OPPOSE GIVING UP
LONG ESTABLISHED TAX FREE FRINGE BENEFITS, THIS
CERTAINLY WILL AGGRAVATE DIFFICULTIES FACING
GOVT IN REDUCING CONSUMPTION AND INCREASING TAX
REVENUES.
VELIOTES

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